

Central Intelligence Agency



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COSTA RICA: Political and Economic Moves

President Monge, since his inauguration in May, has been increasingly concerned by violations of Costa Rica's borders by Nicaraguan armed forces and Sandinista links with the local extreme left. Realizing that Costa Rica's stature as the area's leading democracy gives its pronouncements an impact disproportionate to its small size, he has publicly adopted anti-Sandinista policies and taken a major role in regional efforts to isolate Nicaragua. A prime example is his leadership in forming a regional community of democratic states. [REDACTED]

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Monge also sees Nicaragua as completely responsive to Cuba and the Soviet Union. He has privately informed Managua and Moscow that they will be held responsible for terrorism or guerrilla activity in Costa Rica. He recently forced the Soviets to reduce the size of their mission in San Jose from 25 to 8, and he probably will demand a reduction in the 50-man Nicaraguan mission. He has ruled out reestablishing relations with Cuba, severed in 1980. [REDACTED]

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Monge is particularly concerned that Costa Rica's economic problems will present Nicaraguan and Cuban-backed domestic extreme leftists with opportunities to foment unrest. Costa Rica is faced with an unprecedented 6 percent decline in economic output this year, triple-digit inflation, and one of the world's highest foreign debts in relation to GDP. An IMF agreement, which probably will be signed soon, will increase austerity measures, and any hope for major recovery is at least an additional year away. [REDACTED]

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Despite the economic problems, domestic support for Monge remains strong, as underscored by the failure of recent Communist-led strikes. Nevertheless, the Communist Party controls 50,000 workers. There is a strong likelihood that the Party will intensify labor agitation, particularly within the vital but volatile banana industry. [REDACTED]

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